

Message

From: Bowman, Liz [Bowman.Liz@epa.gov]
Sent: 4/5/2018 4:09:59 PM
To: Block, Molly [block.molly@epa.gov]; Beach, Christopher [beach.christopher@epa.gov]; Ferguson, Lincoln [ferguson.lincoln@epa.gov]; Wilcox, Jahan [wilcox.jahan@epa.gov]; Hewitt, James [hewitt.james@epa.gov]; Abboud, Michael [abboud.michael@epa.gov]; Konkus, John [konkus.john@epa.gov]; Daniell, Kelsi [daniell.kelsi@epa.gov]
Subject: RE: Solid piece on car trends/MTE

Thank you

From: Block, Molly
Sent: Thursday, April 5, 2018 12:01 PM
To: Bowman, Liz <Bowman.Liz@epa.gov>; Beach, Christopher <beach.christopher@epa.gov>; Ferguson, Lincoln <ferguson.lincoln@epa.gov>; Wilcox, Jahan <wilcox.jahan@epa.gov>; Hewitt, James <hewitt.james@epa.gov>; Abboud, Michael <abboud.michael@epa.gov>; Konkus, John <konkus.john@epa.gov>; Daniell, Kelsi <daniell.kelsi@epa.gov>
Subject: Solid piece on car trends/MTE

<https://www.wsj.com/articles/gm-to-kill-chevrolet-sonic-subcompact-car-1522850577>

Car Makers Step Back From Cars

GM to stop production of the Chevrolet Sonic, Ford plans to end U.S. sales of Fiesta and Taurus amid Detroit's broader exodus from passenger cars

Mike Colias and Christina Rogers

DETROIT—American auto makers are embarking on a historic shift away from passenger cars, as more-profitable sport-utility vehicles and pickup trucks continue to expand their share of the market.

Long thought to be necessary for combating Japanese rivals and catering to budget-minded or young customers, small cars have fallen out of favor amid low gasoline prices and efficiency improvements in SUVs. Now, large sedans also are on the chopping block.

General Motors Co. will end production of the Chevrolet Sonic subcompact as early as this year, according to people familiar with the matter. GM is also considering discontinuing the Chevy Impala big sedan in the next few years, these people said, a decision that would kill a 61-year-old car model.

Ford Motor Co., meanwhile, plans to stop building the Fiesta small car for the U.S. market within the next year, and will discontinue the large Taurus sedan, said people briefed on the plans.

Ford executives are still considering the future of the Ford Fusion, a midsize sedan once billed as an answer to the Honda Accord and Toyota Camry, these people said.

Sedans, coupes and other car categories accounted for 37% of U.S. sales last year, down from 51% in 2012. With the Trump administration planning to roll back fuel-economy standards for auto makers' fleets, the shift to SUVs and trucks is only likely to continue.

The U.S. industry's strategic shift is potentially lucrative, but risky.

While American vehicle makers have long earned the bulk of their profits from pickup trucks and SUVs, GM, Ford and Chrysler have suffered when gasoline prices rise and dealers are left with a stale or limited selection of fuel-efficient

offerings. Toyota Motor Corp. , Nissan Motor Co. and Honda Motor Co. have laid out investments to keep sedans and coupes such as the Civic and Altima fresh even as demand wanes.

GM will continue to sell several small cars, including the compact Chevy Cruze built in Ohio and the electric Chevy Bolt produced in the Michigan factory that also assembles the Sonic. The company also will offer its Chevy Malibu and Buick and Cadillac sedans.

But Fiat Chrysler Automobiles NV and Ford are considering far more aggressive pullbacks from passenger cars because of the respective success of Jeeps and the F-150 pickup truck.

Fiat Chrysler took the first step in killing off small cars several years ago when it discontinued the Chrysler 200 sedan and Dodge Dart compact to free up money and assembly lines for pickup and SUV production. The company is now reporting record profits and has indicated to its suppliers it might be considering an end to larger cars, including the Chrysler 300 and Dodge Charger sedans, within a few years.

The death of the Sonic is as symbolic as it is strategic. The car, which went on sale in 2011, was heralded as a hit because of features not typically seen on inexpensive small cars, such as heated seats. Chevy sold nearly 100,000 Sonics in 2014, far more than its previous subcompact models, but deliveries dwindled to about 30,000 last year.

The Sonic is built at the Orion Assembly plant in suburban Detroit, which was saved from closure during GM's 2009 bankruptcy through a \$1 billion lifeline of grants and tax incentives from the state of Michigan, local municipalities and the federal government.

Seen as a small-car plant preserved largely by the Obama administration, it was refurbished to represent the Motor City's renewed commitment to small and efficient automobiles.

The plant, however, produces about one-quarter the number of vehicles that one of the company's busy truck factories turns out. GM laid off thousands of factory workers last year as the auto maker sought to adjust car production with lower-than-expected demand.

The company views consumer preference for SUVs over cars as "largely permanent" and is assessing "how we best deploy assets in critical passenger-car segments to ensure we're getting a return," GM finance chief Chuck Stevens told analysts last year.

Ford is also shifting. It recently put on sale the EcoSport small crossover SUV in the U.S. at a starting price of \$20,000—almost \$6,000 more than the Fiesta, with which it shares an underbody.

"The EcoSport is basically the same vehicle and they can charge several thousand dollars more for it," said George Waikem II, who manages Nissan, Kia and Ford dealerships in northeastern Ohio. Small cars, such as the Fiesta, he said, are "definitely on an island that is sinking."

Jim Farley, Ford's president of global markets, said the company will offer fewer models over time. "We are looking at a more rationalized, more thoughtful passenger car lineup, because we want to play where we can win," he said in a recent interview.

The move away from sedans, coupes and hatchbacks has executives even outside Detroit considering how to respond.

It is a consumer shift "we really haven't seen before," Toyota U.S. sales chief Bill Fay said at an industry conference in New York last week. Another Toyota executive forecast the sale of cars shrinking to 30% of the American market in the near future, and said the Japanese auto maker might need to expand its SUV lineup.